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VEDAN INTERNATIONAL (HOLDINGS) LIMITED

味丹國際（控股）有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 02317)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS

| | Year ended 31 December | | Difference |
|---|------------------------|-----------------|------------|
| | 2023 | 2022 | |
| | US\$'000 | US\$'000 | |
| Revenue | 386,171 | 451,007 | -14.4% |
| Gross profit | 55,430 | 43,349 | 27.9% |
| Profit/(loss) for the year | 7,001 | (4,384) | N/A |
| Profit/(loss) attributable to owners | 6,986 | (4,386) | N/A |
| Basic earnings/(loss) per share | 0.46 US cents | (0.29) US cents | |
| Diluted earnings/(loss) per share | 0.46 US cents | (0.29) US cents | |
| Final dividend proposed per share | 0.2298 US cents | – US cents | |
| Total dividends paid and proposed per share | 0.4588 US cents | – US cents | |

RESULTS

The Board of Directors (the “Board”) of Vedan International (Holdings) Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

| | Note | Year ended 31 December | |
|--|------|------------------------|-----------------------|
| | | 2023 US\$'000 | 2022 US\$'000 |
| Revenue | 2(a) | 386,171 | 451,007 |
| Cost of sales | 6 | <u>(330,741)</u> | <u>(407,658)</u> |
| Gross profit | | 55,430 | 43,349 |
| Selling and distribution expenses | 6 | (19,826) | (24,566) |
| Administrative expenses | 6 | (22,503) | (22,118) |
| Other (losses)/gains- net | 5 | <u>(122)</u> | <u>219</u> |
| Operating profit/(loss) | | 12,979 | (3,116) |
| Finance income | 7 | 1,089 | 398 |
| Finance costs | 7 | <u>(2,880)</u> | <u>(951)</u> |
| Finance costs – net | 7 | <u>(1,791)</u> | <u>(553)</u> |
| Share of post-tax loss of an associate | | <u>(841)</u> | <u>(528)</u> |
| Profit/(loss) before income tax | | 10,347 | (4,197) |
| Income tax expense | 8 | <u>(3,346)</u> | <u>(187)</u> |
| Profit/(loss) for the year | | <u>7,001</u> | <u>(4,384)</u> |
| Profit/(loss) attributable to: | | | |
| Owners of the Company | | 6,986 | (4,386) |
| Non-controlling interest | | <u>15</u> | <u>2</u> |
| | | <u>7,001</u> | <u>(4,384)</u> |
| Earnings/(loss) per share for profit/(loss) attributable to the owners of the Company during the year (expressed in US cents per share) | | | |
| Basic earnings/(loss) per share | 10 | <u>0.46</u> | <u>(0.29)</u> |
| Diluted earnings/(loss) per share | 10 | <u>0.46</u> | <u>(0.29)</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|--|------------------------|-----------------|
| | 2023 | 2022 |
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Profit/(loss) for the year | 7,001 | (4,384) |
| Other comprehensive loss: | | |
| <i>Item that may be reclassified to profit or loss</i> | | |
| Currency translation differences | (429) | (3,449) |
| Other comprehensive loss for the year, net of tax | (429) | (3,449) |
| Total comprehensive income/(loss) for the year | 6,572 | (7,833) |
| Total comprehensive income/(loss) for the year attributable to: | | |
| – Owners of the Company | 6,557 | (7,835) |
| – Non-controlling interest | 15 | 2 |
| Total comprehensive income/(loss) for the year | 6,572 | (7,833) |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|------|-------------------|----------------|
| | | 2023 | 2022 |
| | Note | US\$'000 | US\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 138,193 | 152,074 |
| Right-of-use assets | | 4,600 | 5,152 |
| Intangible assets | | 1,527 | 2,080 |
| Long-term prepayments | | 1,527 | 1,301 |
| Investment in an associate | | 5,013 | 4,174 |
| | | <u>150,860</u> | <u>164,781</u> |
| Total non-current assets | | 150,860 | 164,781 |
| Current assets | | | |
| Inventories | | 137,680 | 140,527 |
| Trade receivables | 3 | 33,755 | 33,990 |
| Prepayments and other receivables | | 10,084 | 18,738 |
| Amounts due from related parties | | 772 | 126 |
| Structured bank deposits | | 990 | – |
| Short-term bank deposits | | 19,693 | – |
| Cash and cash equivalents | | 29,676 | 47,810 |
| | | <u>232,650</u> | <u>241,191</u> |
| Total current assets | | 232,650 | 241,191 |
| | | <u>383,510</u> | <u>405,972</u> |
| Total assets | | 383,510 | 405,972 |
| EQUITY | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 15,228 | 15,228 |
| Reserves | | 279,330 | 276,260 |
| | | <u>294,558</u> | <u>291,488</u> |
| Non-controlling interest | | 225 | 230 |
| | | <u>294,783</u> | <u>291,718</u> |
| Total equity | | 294,783 | 291,718 |

| | | As at 31 December | |
|--------------------------------------|-------------|---|---|
| | | 2023 | 2022 |
| | <i>Note</i> | US\$'000 | <i>US\$'000</i> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bank borrowings | | 1,992 | 3,431 |
| Lease liabilities | | 2,744 | 3,035 |
| Deferred income tax liabilities | | 150 | 577 |
| Retirement benefit obligations | | 1,484 | 1,526 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 6,370 | 8,569 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Current liabilities | | | |
| Trade payables | 4 | 18,391 | 27,591 |
| Accruals and other payables | | 18,265 | 20,140 |
| Amounts due to related parties | | 596 | 149 |
| Bank borrowings | | 41,662 | 56,190 |
| Lease liabilities | | 319 | 443 |
| Current income tax liabilities | | 3,124 | 1,172 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 82,357 | 105,685 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total liabilities | | 88,727 | 114,254 |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total equity and liabilities | | 383,510 | 405,972 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of non-current liabilities and plan assets of defined benefit plan and structured bank deposits, which are measured at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards which are mandatory for the Group for the first time for the financial year beginning on 1 January 2023:

| | |
|--|---|
| HKFRS 17 | Insurance Contracts |
| HKFRS 17 | Amendments to HKFRS17 |
| HKFRS 17 | Initial Application of HKFRS 17 and HKFRS 9 – Comparative information |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules |

The adoption of the above new and amended standards did not have any material impact on the current period or any prior periods.

- (b) The following amendments to standard and interpretation (together referred as “Amendments”) have been issued, but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to HKFRS 16 | Lease Liability in Sale and Leaseback | 1 January 2024 |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements | 1 January 2024 |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised)) | 1 January 2024 |
| Amendments to HKAS 21 | Lack of Exchangeability | 1 January 2025 |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The directors of the Company have assessed the financial impact on the Group of the adoption of the above Amendments. There are no Amendments that are not yet effective and that would be expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions. The Group intends to adopt the Amendments when they become effective.

2 Segment information

The chief operating decision-maker has been identified as the Executive Directors collectively. The Executive Directors review the Group's policies and information for the purposes of assessing performance and allocating resources. During the year ended 31 December 2023, the Group has been operating in one single business segment, i.e. the manufacture and sale of fermentation-based food additives, biochemical products and cassava starch-based industrial products including modified starch, glucose syrup, MSG, GA and others (2022: same).

(a) Revenue

| | 2023 <i>US\$'000</i> | 2022 <i>US\$'000</i> |
|----------------|-------------------------|-------------------------|
| Sales of goods | <u>386,171</u> | <u>451,007</u> |

Revenue recognised in relation to contract liabilities

The Group receives payments from certain customers in advance of the performance under the contracts. The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

| | 2023 <i>USD'000</i> | 2022 <i>USD'000</i> |
|---|------------------------|------------------------|
| Revenue recognised that was included in the contract liabilities balance at the beginning of the year | <u>4,339</u> | <u>5,885</u> |

During the year ended 31 December 2023, revenue of approximately US\$44,004,000 (2022: US\$53,734,000) is derived from a single external customer located in Japan. The revenue is attributable to MSG and GA products.

All contracts are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group's revenue by geographical location, which is determined by the geographical presence of customers, is as follows:

| | 2023 <i>US\$'000</i> | 2022 <i>US\$'000</i> |
|---|-------------------------|-------------------------|
| Vietnam | 173,560 | 194,999 |
| Japan | 71,045 | 83,083 |
| The PRC | 54,965 | 62,663 |
| ASEAN member countries (other than Vietnam) | 31,185 | 35,991 |
| The US | 24,456 | 36,256 |
| Other regions | 30,960 | 38,015 |
| | <u>386,171</u> | <u>451,007</u> |

(b) Non-current assets, other than prepayments, by location, which is determined by the country in which the asset is located, are as follows:

| | 2023 <i>US\$'000</i> | 2022 <i>US\$'000</i> |
|---------|-------------------------|-------------------------|
| Vietnam | 140,093 | 153,058 |
| The PRC | 9,240 | 10,422 |
| | <u>149,333</u> | <u>163,480</u> |

3 Trade receivables

| | 2023 <i>US\$'000</i> | 2022 <i>US\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Trade receivables from third parties | 34,105 | 34,379 |
| Less: loss allowance | (350) | (389) |
| Trade receivables – net | <u>33,755</u> | <u>33,990</u> |

The credit terms of trade receivables range from cash on delivery to 30 days. The Group may grant a longer credit period to certain customers, subject to the satisfactory results of credit assessment. The ageing of the trade receivables based on invoice date is as follows:

| | 2023 | 2022 |
|---------------|-----------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> |
| 0-30 days | 31,949 | 24,014 |
| 31-90 days | 793 | 9,069 |
| 91-180 days | 706 | 604 |
| 181-365 days | 326 | 172 |
| Over 365 days | 331 | 520 |
| | 34,105 | 34,379 |

4 Trade payables

At 31 December 2023, the ageing of trade payables based on invoice date is as follows:

| | 2023 | 2022 |
|------------|-----------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> |
| 0-30 days | 17,734 | 25,334 |
| 31-90 days | 657 | 2,257 |
| | 18,391 | 27,591 |

5 Other (losses)/gains – net

| | 2023 | 2022 |
|---|-----------------|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Net exchange loss | (263) | (489) |
| Loss on disposal of property, plant and equipment | (98) | (36) |
| Sales of scrap materials | 389 | 330 |
| Government grant | 9 | 114 |
| Fair value gains on structural bank deposits | 4 | 52 |
| Impairment of goodwill | (680) | – |
| Others | 517 | 248 |
| | (122) | 219 |

6 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

| | 2023 <i>US\$'000</i> | 2022 <i>US\$'000</i> |
|---|-------------------------|-------------------------|
| Changes in inventories and consumables used | 278,617 | 355,425 |
| Amortisation of intangible assets | 71 | 137 |
| Amortisation of right-of-use assets | 553 | 549 |
| Auditor's remuneration | | |
| – Audit services | 345 | 345 |
| – Non-audit services | 5 | 4 |
| Depreciation on property, plant and equipment | 21,290 | 17,746 |
| Written off of property, plant and equipment | 277 | 895 |
| Provision for/(reversal of) impairment of inventories | 641 | (12) |
| Expense relating to short-term lease | 87 | 75 |
| Employee benefit expenses | 40,844 | 39,236 |
| (Reversal of)/provision for loss allowance of trade receivables | (39) | 66 |
| Loss on lease modification | – | 1 |
| Technical support fee | 2,184 | 2,139 |
| Travelling expenses | 1,629 | 1,562 |
| Transportation expenses | 6,645 | 12,345 |
| Advertising expenses | 1,718 | 2,071 |
| Repair and maintenance expenses | 10,751 | 13,059 |
| Other expenses | 7,452 | 8,699 |
| | <hr/> | <hr/> |
| Total cost of sales, selling and distribution expenses and administrative expenses | 373,070 | 454,342 |
| | <hr/> <hr/> | <hr/> <hr/> |

7 Finance costs – net

| | 2023 <i>US\$'000</i> | 2022 <i>US\$'000</i> |
|--|-------------------------|-------------------------|
| Bank interest income | 1,084 | 393 |
| Interest income from an associate | <u>5</u> | <u>5</u> |
| Finance income | ----- 1,089 | ----- 398 |
| Interest expense on bank borrowings | (2,831) | (1,122) |
| Interest expense on lease liabilities | (98) | (104) |
| Less: amounts capitalised on qualifying assets | <u>49</u> | <u>275</u> |
| Finance costs | ----- (2,880) | ----- (951) |
| Finance costs – net | <u><u>(1,791)</u></u> | <u><u>(553)</u></u> |

8 Income tax expense

Taxation on profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of income tax charged to the consolidated income statement represents:

| | 2023 <i>US\$'000</i> | 2022 <i>US\$'000</i> |
|--|-------------------------|-------------------------|
| Enterprise income tax (“EIT”) | 3,782 | 1,271 |
| (Over)/under provision of income tax in previous years | <u>(9)</u> | <u>4</u> |
| Total current tax | 3,773 | 1,275 |
| Deferred income tax | <u>(427)</u> | <u>(1,088)</u> |
| | <u><u>3,346</u></u> | <u><u>187</u></u> |

9 Dividends

An interim dividend of US\$0.229 US cents per share amounting to US\$3,487,000 that relates to the year ended 31 December 2023 was declared on 22 August 2023 and was paid on 5 October 2023.

A final dividend in respect of the year ended 31 December 2023 of 0.2298 US cents per share, amounting to a final dividend of US\$3,499,000, is to be proposed for approval at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

10 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

| | 2023 | 2022 |
|--|--------------------|----------------------|
| Profit/(loss) attributable to owners of the Company (US\$'000) | 6,986 | (4,386) |
| Weighted average number of ordinary shares in issue (thousands) | <u>1,522,742</u> | <u>1,522,742</u> |
| Basic earnings/(loss) per share (US cents per share) | <u><u>0.46</u></u> | <u><u>(0.29)</u></u> |

(b) Diluted

Diluted earnings per share is same as basic earnings/(loss) per share as there are no dilutive instruments for the years ended 31 December 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

The year 2023 was full of challenges. Global economic growth continued to slow due to the ongoing impact of international geopolitics, tightening of monetary policies and the weakening of global trade and investment. The major risks included the continuation of the Russia-Ukraine war, the instability in the political and economic situation in the Middle East, increased variability in related commodity markets, higher borrowing costs due to US dollar interest rate hikes, continued inflation, weaker than expected economic activity in China, the impact of geopolitics on global finance, trade, investment, food and energy mobility, and the impact of climate change.

Vietnam's annual economic growth rate fell from 8.02% in 2022 to 5.05% in 2023, lower than the Vietnamese government's target of 6.5% at the beginning of the year. Cumulative exports and imports for the 12 months of 2023 were lower than in 2022, falling by 4.4% and 9.2% respectively. The total import and export trade volume decreased by 6.77% compared with the same period in 2022, maintaining a surplus of US\$28 billion. The economic downturn in major export markets and the decline in external demand led to a slowdown in exports, making Vietnam less prosperous than in 2022. Rising energy and food costs in Vietnam pushed up consumer prices. The average annual growth rate of the consumer price index in 2023 was 3.25%, but was well below the target inflation rate of 4.5%.

With the easing of the pandemic-related factors in China in 2023, the industrial chain and supply chain gradually recovered. The actual economic growth target for 2023 was 5.0%, an increase of 2.0% over 2022. However, the recovery of services and consumption in China was relatively slow, with demand not returning to pre-pandemic levels and inflation relatively modest. The average annual growth rate of China's consumer price index in 2023 was 0.2%, indicating a limited increase in consumer market demand.

The Group's revenue reached approximately US\$386,171,000 in 2023, a decrease of 14.4%, or US\$64,836,000, over the same period last year. The main reason for the decline in revenue was the slowdown in market sentiment and demand, with the Group's main product, MSG, being affected and suffering a decline in revenue. However, benefiting from the slowdown in the prices of raw materials and energy, the Group took advantage of the opportunity of the falling prices of bulk raw materials this year and improved its gross profit margin over last year. The overall revenue of modified starch, natural starch and maltose declined due to conservative orders from major customers, weak European and American markets, declining industrial demand, and insufficient consumption motivation amid the US Federal Reserve's interest rate hike and exchange rate fluctuations. Specialty chemicals saw a decline in both revenue and profit compared with last year as a result of weak sentiment in Vietnam and lower demand. The average selling price of hydrochloric acid was reduced due to a sharp drop in demand and price competition among industry peers, resulting in a significant decrease in revenue and gross profit compared with last year. Regarding fertilizers and feed products, the Group focused on consolidating its sales channels and adjusting the product mix, and sought to develop higher-margin products. In addition, among the Group's other products, product distribution in partnership with internationally renowned brands in, aimed at diversifying the Group's operations, showed small-scale growth in 2023. As for the trade products distributed by the Group in the PRC, including bulk food ingredients and coffee beans, the sales volume increased slightly due to varied demands in different regions.

The Group recorded a decrease in revenue in 2023, but its gross profit was US\$55,430,000, an increase of US\$12,081,000 from 2022, benefiting from proper cost control. Gross profit margin was 14.4% in 2023, up 4.7 percentage points compared with 2022. Net profit margin increased from -1.0% in the same period in 2022 to 1.8%, with a profit of US\$7,001,000, an increase of US\$11,385,000 over the same period last year.

II. BUSINESS ANALYSIS

(1) Sales Analysis by Market

Unit: US\$'000

| Country | January-December 2023 | | January-December 2022 | | Difference | |
|---------------------------|-----------------------|---------------|-----------------------|---------------|----------------|---------------|
| | Cumulative | | Cumulative | | | |
| | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> | <i>Amount</i> | <i>%</i> |
| Vietnam | 173,560 | 44.9% | 194,999 | 43.2% | -21,439 | -11.0% |
| Japan | 71,045 | 18.4% | 83,083 | 18.4% | -12,038 | -14.5% |
| The PRC | 54,965 | 14.2% | 62,663 | 13.9% | -7,698 | -12.3% |
| ASEAN (excluding Vietnam) | 31,185 | 8.1% | 35,991 | 8.0% | -4,806 | -13.4% |
| The US | 24,456 | 6.3% | 36,256 | 8.0% | -11,800 | -32.5% |
| Other regions | 30,960 | 8.1% | 38,015 | 8.5% | -7,055 | -18.6% |
| Total | 386,171 | 100.0% | 451,007 | 100.0% | -64,836 | -14.4% |

1. Vietnam

Revenue from the Vietnamese market in 2023 was approximately US\$173,560,000, a decrease of approximately US\$21,439,000, or 11%, over the same period in 2022, though its share of revenue increased from 43.2% to 44.9%. The slowdown in overseas demand indirectly affected the domestic market and consumption in export-oriented Vietnam, causing problems such as lower factory utilization rate and higher unemployment rate. The decline in sales volume and revenue from Vietnam in 2023 was mainly because it was difficult for the Company to raise the prices of MSG, seasonings, and specialty chemicals due to poor market sentiment, lower demand and fierce competition. This year, the Group is committed to consolidating sales channels, introducing new products to enhance the product mix, and flexibly adjusting its pricing strategy, hoping to drive subsequent sales and revenue growth.

2. *Japan*

Revenue from the Japanese market in 2023 was approximately US\$71,045,000, a decrease of approximately US\$12,038,000, or 14.5%, when compared with 2022, and its share of the Group's revenue was 18.4% in 2023, the same as in 2022. Japan is the Group's second largest market. Although the pandemic situation improved in 2023, Japan's long-term deflation continued. While the U.S. dollar interest rates increased, the Bank of Japan maintained a low interest rate policy, leading to a sharp depreciation of the yen and rising prices, affecting domestic consumer sentiment. Affected by the global economy and sluggish domestic consumption, the gross domestic product (GDP) growth rate was -0.4% in the fourth quarter of 2023, a further decline from the third quarter. The slow economic recovery affected all of the Group's products, resulting in a decline in sales volume and revenue. The Group will continue to explore the new customer base and cross-border applications in this market for various products, and actively develop high value-added products.

3. *The PRC*

In 2023, revenue from the PRC market was approximately US\$54,965,000, a decrease of approximately US\$7,698,000, or 12.3%, from 2022, and its share of revenue increased from 13.9% to 14.2%. After the pandemic, China's economic growth was hindered by sluggish real estate market transactions and the global economic slowdown. The withdrawal of a number of foreign-invested industries and supply chains from China resulted in an increase in the unemployment rate and also impacted economic growth. The sales volume and revenue of the products declined due to the economic downturn and low consumer demand in the market. In addition to stabilizing its seasoning market, the Group continued to expand its new distributed products, with the aim of driving revenue growth.

4. *The ASEAN (excluding Vietnam)*

In 2023, revenue from the ASEAN market (excluding Vietnam) was approximately US\$31,185,000, a decrease of approximately US\$4,806,000, or 13.4%, from 2022, and its share of revenue increased from 8.0% to 8.1%, mainly because the decline in sales volume and revenue of products such as MSG and modified starch was relatively small compared with other markets. The ASEAN market has been a key market for the Group to actively develop, and it is also a member of the emerging markets. The Group expects to leverage its industrial advantages to expand this market with core products, seek new customers and explore new markets, establish closer partnerships, and deepen its sales channels to achieve breakthrough sales.

5. *The US*

Revenue from the US market in 2023 was approximately US\$24,456,000, a decrease of approximately US\$11,800,000, or 32.5%, from 2022, and its share of revenue decreased from 8.0% to 6.3%. After several interest rate hikes in the US dollar, although inflation has decreased and the economy did not experience a sharp decline due to high interest rates in the short term, the impact and changes brought about by the hikes are yet to be seen. The decrease in the Group's revenue in 2023 was mainly due to the decline in selling prices and sales volumes of starch sugar as a result of declining market demand and high inventory levels of US customers. The Group will maintain key channels and customers, consolidate the production and sales value chain, and continue to develop products that are in demand in the market to meet customer needs and improve the quality and competitiveness of its products.

6. *Other regions*

Other regions consist primarily of Taiwan, Korea and the EU. Total revenue in 2023 was approximately US\$30,960,000, down by approximately US\$7,055,000, or 18.6%, from 2022. Its share of the Group's revenue decreased from 8.5% to 8.1%. In some markets, the continued monetary tightening policies of the world's major central banks affected the economy and consumption, resulting in a decline in market demand for MSG and CMS-related fertilizers and feed products, and the resulting turnover.

(2) Sales Analysis by Product

Unit: US\$'000

| Item | January-December 2023 | | January-December 2022 | | Difference | |
|-------------------------------|-----------------------|---------------|-----------------------|---------------|----------------|---------------|
| | Cumulative | | Cumulative | | | |
| | Amount | % | Amount | % | Amount | % |
| MSG + seasonings | 230,820 | 59.8% | 277,042 | 61.4% | -46,222 | -16.7% |
| Modified starch+native | | | | | | |
| starch+maltose | 66,880 | 17.3% | 74,973 | 16.6% | -8,093 | -10.8% |
| Specialty chemicals | 21,154 | 5.5% | 28,302 | 6.3% | -7,148 | -25.3% |
| Fertilizers and feed products | 34,250 | 8.9% | 35,634 | 7.9% | -1,384 | -3.9% |
| Others | 33,067 | 8.5% | 35,056 | 7.8% | -1,989 | -5.7% |
| Total | <u>386,171</u> | <u>100.0%</u> | <u>451,007</u> | <u>100.0%</u> | <u>-64,836</u> | <u>-14.4%</u> |

1. *MSG and Seasonings*

Revenue from MSG and seasoning products in 2023 was approximately US\$230,820,000, a decrease of approximately US\$46,222,000, or 16.7%, from 2022, and the segment's share of the Group's revenue decreased from 61.4% to 59.8%. Demand declined due to weakening economies in major export markets such as Vietnam, Japan and China, coupled with competition in various markets, which made it difficult to increase selling prices, the main reason for the decrease in revenue.

2. *Modified Starch/Native Starch/Starch Sugar*

Revenue from modified starch, native starch and starch sugar products in 2023 was approximately US\$66,880,000, a decrease of approximately US\$8,093,000, or 10.8%, from 2022, while its share of the Group's revenue expanded from 16.6% to 17.3%. During 2022, customer demand increased significantly as they wanted to secure inventory given the pandemic and tight shipping logistics. However, in the post-pandemic era of 2023, major customers became more cautious when placing orders due to interest rate hikes by the Federal Reserve and fluctuating exchange rates. Moderate revenue growth was recorded for modified starch products, which benefited from new specifications and high value-added products launched by the Company, while starch sugar products recorded a decline in demand as major customers needed to digest inventory, resulting in the underperformance of this product compared with other products. The Group attaches great importance to the potential and development of these products in the market and will focus on product development and product extensions, with a view to developing more diversified products and creating products with added value.

3. *Specialty Chemicals*

Revenue from specialty chemicals in 2023 was approximately US\$21,154,000, a decrease of approximately US\$7,148,000, or 25.3%, from 2022, and its share of the Group's revenue fell from 6.3% to 5.5%.

In 2023, demand for soda products in the industry declined sharply due to the downturn in the Vietnamese market, and international prices declined, resulting in a decrease in both turnover and gross profit. The sales volume and selling prices of hydrochloric acid products declined, affected by weaker demand and price competition with peers, causing overall revenue and profitability to decline.

4. *Fertilizers and Feed Products*

In 2023, revenue from fertilizers and feed products was approximately US\$34,250,000, a decrease of approximately US\$1,384,000, or 3.9%, compared with 2022, and the share of the Group's revenue increased from 7.9% to 8.9%.

For fertilizers and feed products, the sales volume of solid products decreased in 2023, as the continuous decline in international prices of chemical fertilizers and urea resulted in an overall bearish market that was largely adopting a wait-and-see approach, which affected the sales performance of this segment. For feed products, sales were affected by weaker market demand as a result of the outbreak of livestock diseases in some markets and high breeding costs. The Group will actively invest in products with new specifications, develop new customers, improve product structure, and adopt flexible price adjustment strategies to boost revenue and profit. It will also continue to promote high-value-added specialty fertilizer products and actively develop new sales channels going forward.

5. Other Products

Revenue from other products in 2023 was approximately US\$33,067,000, a decrease of approximately US\$1,989,000, or 5.7%, compared with 2022, and the share of the Group's revenue climbed from 7.8% to 8.5%. In view of the rapid growth of the consumer goods industry in Vietnam, the Group cooperated with internationally renowned brands in product distribution, with the aim of diversifying and expanding the Group's operations, enabling it to record the highest growth in this segment. Regarding the trade products distributed by the Group in China, including bulk food ingredients and coffee beans, the sales volume was affected by variations of demand from different regions.

III. MAJOR RAW MATERIALS/ENERGY OVERVIEW

(1) Cassava/Starch

In the 2023/24 production season, output in major plantation areas such as Thailand, Vietnam and Cambodia decreased, cassava was in short supply, and prices remained at relatively high levels throughout the season. Under the Group's annual strategy of centralized procurement and development of new sources of supply during the production season, the Group secured most of the required raw materials at a competitive price to control production costs and increase profitability in 2024.

(2) Molasses

In 2022/23, only 64,170,000 tons of molasses were produced worldwide after settlement, around 1,420,000 tons less than the previous year. This was the second consecutive year of declining production, keeping the price of molasses relatively high.

Total molasses production is expected to rebound in 2023/24, but the export trade volume is not very optimistic, especially as India has started to impose a 50% export tax, so the international price is expected to remain strong. The Group will continue to monitor changes in the international molasses market and actively develop additional supply sources to ensure a stable supply of the raw material.

(3) Energy

Crude oil:

At the end of 2023, the international crude oil market was on a strong upward trajectory, as the Red Sea shipping crisis had caused congestion and made it difficult to transport oil smoothly. A large volume of oil can only be stored at sea, resulting in faster-than-expected consumption of crude oil on land. However, the geopolitical risk from the Russia-Ukraine War and the Middle East conflict has subsided. In the near term, the price of oil is expected to remain in the US\$70-US\$90 per barrel range. In addition, OPEC+ has sufficient spare capacity and can adjust the supply and demand in the crude oil market in a timely manner, preventing it from becoming too tight, and keeping the price stable.

Coal:

In 2023, the global supply of natural gas, crude oil, and coal was stabilized due to the lesser impact of the Russia-Ukraine war, and international coal prices declined. The Group will continue to monitor changes in the energy industry and plan flexibly accordingly.

Electricity:

In 2023, Vietnam had a shortage of electricity as extreme weather affected hydroelectric power generation. The Vietnamese government raised the electricity tariffs by 3% for the first time in May 2023 and then by around 4.5% on 9 November 2023, an increase of approximately 7.6% increase for the year. The Vietnam Electricity Corporation may continue to gradually increase tariffs. The Group has been using a cogeneration power system to ensure a stable supply of electricity, but it will also continue to seek fuel supply countermeasures to mitigate the impact of rising energy costs on the Group.

IV. FINANCIAL REVIEW

(1) Liquidity and Financial Resources

As at the end of 2023, the Group had cash and cash equivalents, short-term bank deposits, and structured bank deposits amounting to US\$50,359,000, an increase of US\$2,549,000, or approximately 5.3%, from the end of 2022. Total bank borrowings amounted to US\$43,654,000, a decrease of US\$15,967,000, or approximately 27%, from the end of 2022.

The US interest rate hikes increased financing costs, and the central bank of Vietnam cut interest rates several times in 2023 to stimulate the economy. After considering interest rate risks, financing costs and exchange rate risks, the Group adjusted the total bank borrowings in a timely manner. In addition to converting a portion of bank borrowings to VND in 2023, part of the capital funds was transferred to fixed deposits without affecting working capital to generate additional finance income. At the end of 2023, VND-denominated loans accounted for approximately 72.6% of total borrowings. Although the total bank borrowings decreased by 27%, the total net finance costs in 2023 increased by US\$1,238,000 from 2022 to US\$1,791,000.

At the end of 2023, trade receivables amounted to US\$33,755,000, a decrease of US\$235,000, or approximately 1%, from the end of 2022. Total inventory was US\$137,680,000, a decrease of US\$2,847,000, or approximately 2%, compared with 2022.

Trade payables amounted to US\$18,391,000 at the end of 2023, a decrease of US\$9,200,000, or approximately 33%, from the end of 2022. The current ratio increased from 2.3 in 2022 to 2.8 in 2023. The Group's financial structure remained stable.

(2) Capital Expenditure

In 2023, the Group's capital expenditure amounted to US\$8,280,000, lower than the US\$13,165,000 recorded in 2022. The capital expenditure incurred in 2023 was mainly due to the continuation of last year's projects, including the organic maltose line added in the subsidiary in Vietnam and the pregelatinized starch project. As a result of the US interest rate hikes, the operating environment was uncertain in 2023, and the Group continued to take a prudent approach to planning its development and investment projects. As a result, the Group did not have any new projects requiring significant capital expenditure during the year, except for the above-mentioned continuation of projects.

(3) Exchange Rate

The Federal Reserve has been raising interest rates since March 2022. By the end of December 2023, interest rates had been raised by 5.25%, and the US benchmark interest rate range remained unchanged at 5.25% to 5.5% in 2023. During the year, Vietnam's central bank cut interest rates four times to stimulate domestic demand and sentiment. The Vietnamese Dong (VND) came under depreciation pressure as the USD/VND exchange rate differential widened. Nevertheless, the inflow of strong foreign direct investment (FDI), foreign remittances, trade surplus of a large number of products and narrowing service trade deficit helped ease the pressure. The central exchange rate of VND announced by the State Bank of Vietnam depreciated by 1.07% in 2023, from VND23,612/USD at the end of 2022 to VND23,866/USD at the end of 2023.

The Group's subsidiaries in the PRC are mainly engaged in local sales with transactions denominated in RMB. Since 2023, the exchange rate of RMB against USD went through three stages: climbing at the beginning of the year, followed by depreciation in February and a further depreciation in May. This was mainly due to the tightening of the US monetary policy, which led to an increase in the country's long-term interest rate and a widening of the interest rate differential between China and the US. The increase in short-term capital outflows intensified the depreciation pressure of RMB against USD. Although the exchange rate has rebounded since November, in the face of increasing uncertainty in the external environment, the Central Economic Working Conference of the PRC called for keeping the RMB exchange rate generally stable at a reasonable balance level and sent a policy signal to the foreign exchange market. The RMB exchange rate remained basically stable at around 7.1 by the end of the year. The Group will continue to monitor the exchange rate movement between RMB and USD.

(4) Earnings per Share and Dividend

Basic earnings per share for the year were 0.460 US cents. The Board of Directors has resolved a final dividend of 0.2298 US cents per share. Together with the interim dividend of US\$0.229 cents per share already paid, total dividends for the year will amount to US\$0.4588 cents per share (2022: Nil), representing a payout ratio of 100% on the earnings for the financial year.

V. PROSPECTS

Looking ahead to 2024, geopolitical risks such as the Russia-Ukraine war, persistently high energy and raw material prices and uncertain supply chains, as well as other factors such as global inflation risks, and exchange rate and interest rate fluctuations, will continue to add considerable complexity to the economic and operating environment. These factors will also influence the Group's operating risks and opportunities in the coming year.

Global economic growth is expected to stabilize or decline slightly in 2024. In terms of social and economic development in 2024, the Vietnamese government has formulated a series of measures to achieve its economic growth targets, among which, it emphasizes five key measures, including innovation, green growth and sustainable development; system optimization, especially in relation to green energy development, such as energy security and transformation; promoting the development of processing and manufacturing industries; strengthening employee training; and actively attracting foreign investment, especially FDI. The government is also committed to alleviating inflationary pressures and creating new room for business development for enterprises. It has set an inflation-control target of 4.5% and an economic growth target of 6.0% to 6.5% for 2024.

As for the PRC's economic growth forecast in 2024, the Chinese Academy of Sciences (CAS) compiled a report on the annual performance of the country's economic growth, investment, consumption, import and export, domestic prices, international bulk commodity prices, and food production. The PRC economy is expected to be stable in 2024, and its growth will experience a slow start but peak towards the end of the year. GDP growth is projected to be 5.3% in 2024. The CAS expects that the PRC's balance of payments will remain generally stable, its current account will achieve a favorable balance, and remains optimistic that its services trade landscape will continue to improve.

In the face of a highly uncertain economic environment and variables in the future, the Group will continue to improve the flexibility of its overall operations, adjust its business portfolios and models, strengthen its organizational operations to enhance management efficiency, actively develop new products, expand the scale of production, place greater focus on satisfying customer demand, optimize the flexible cost structure and industrial chain integration, and implement its action plan to ultimately create new growth drivers and improve its ability to generate profit. The key tasks and directions are outlined below:

- Expand product lines and optimize product mix, partially transform existing products, assess and launch extended products, and gradually develop high value-added products. The Group will also increase the proportion of highly functional and high value-added products to enlarge its market share and boost its profitability.
- Actively expand into new channels and new markets, adjust product positioning and sales tactics, look for cooperative partners to expand market scale, strengthen brand positioning and competitive advantages so as to improve the Group's results performance.
- Continue to advance production technologies and enhance production efficiency, improve operational and management techniques and utilize key technologies to enhance core competitiveness so as to achieve the dual objectives of raising quality and lowering costs.
- Capture the market trends of bulk raw materials, actively seek alternative raw material solutions, maintain stable cooperative relations with domestic and overseas suppliers and effectively execute procurement strategies to ensure a stable supply of raw materials.
- Adopt a "co-opetition" strategy to boost product and service value, leverage the Group's production base in Vietnam to actively develop the ASEAN market and the markets that are signatories of the Free Trade Agreement (FTA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Regional Comprehensive Economic Partnership (RCEP), and via mutual support within the Group to realize its core advantages and expand the Group's business presence.

- Accelerate the formation of strategic alliances or cross-industry cooperation to jointly develop the markets through effective consolidation of resources, strengthen its research and development (R&D) functions to realize and seize technological breakthroughs, promote the Group's upgrade and transformation, introduce new products, expand its business scale and improve its business performance.
- Establish a strategic organizational structure and dedicated strategic teams to enhance the organizational efficiency of all units, coordinate the Company's operational action plans, integrate the Group's resources, seek strategic mergers and acquisition plans, and continue to expand the Group's operations to increase revenue, profit and scale.
- Expedite the introduction of an electronic process and information system for the management and application of big data, so as to obtain real-time feedback to optimize business processes and respond to customer needs in a timely manner.
- Continuously control capital deployment strategies, improve the operational efficiency of assets and reduce risks associated with financial market fluctuations amid global financial market volatility.

Since 2023, in addition to the ongoing Russia-Ukraine war, interest rate hikes by the world's major central banks have also raised fears of economic recession. However, with Vietnam's excellent operating environment and various trade agreements signed with a number of countries, the country is expected to possess huge development potential after the short-term economic volatility stabilizes. The Group remains cautiously optimistic and will strive to maintain the existing operating foundation and enhance the flexibility and agility of its operations. It will also actively explore new products, new businesses, and new areas of operation through strategic alliances. All members of the Group will adopt a pragmatic and cautious attitude in implementing the Group's operational strategies so as to achieve greater breakthroughs and development in its results and operations.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company is strongly committed to maintaining good corporate governance. The Directors aim to continually review and enhance corporate governance practices of the Group.

Save and except for code provision F.2.2 as set out below, the Company has complied with the provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the reporting period:

In respect of code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. YANG, Tou-Hsiung, the Chairman of the Board was not able to attend the annual general meeting of the Company held on 23 May 2023 due to business commitments.

AUDIT COMMITTEE

The Audit Committee, comprising all the Independent Non-executive Directors of the Company, has reviewed the results of the Group for the year ended 31 December 2023 and has discussed with management the accounting principles and practices adopted by the Group, and its internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND, CLOSURE OF REGISTER OF MEMBERS AND DATE OF ANNUAL GENERAL MEETING

Final dividend and date of Annual General Meeting

The Board recommended the payment of a final dividend of 0.2298 US cents (2022: Nil), subject to the approval of such final dividend by the shareholders at the annual general meeting of the Company to be held on 21 May 2024 (the “2024 Annual General Meeting”).

Shareholders whose names appear on the register of members of the Company on 21 May 2024 will be eligible to attend and vote at the 2024 Annual General Meeting. It is expected that the proposed final dividend, if approved, will be paid on 11 June 2024 to shareholders whose name appeared on the register of members on 30 May 2024.

Closure of register of members

The register of members of the Company will be closed from Thursday, 16 May 2024 to Tuesday, 21 May 2024, (both days inclusive), during such period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2024 Annual General Meeting, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 14 May 2024.

The register of members of the Company will also be closed from Tuesday, 28 May 2024 to Thursday, 30 May 2024, (both days inclusive), during such period no transfer of shares will be registered. In order to be eligible to receive the proposed final dividend, unregistered holders of shares of the Company should ensure all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement was published on the Hong Kong Stock Exchange's website at (www.hkexnews.hk) and the Company's website at (www.vedaninternational.com). The Company's 2023 annual report containing all the information required under the Listing Rules will be dispatched to shareholders and published on the websites of the Hong Kong Stock Exchange and of the Company in due course.

OUR APPRECIATION

Finally, the Board would like to express our gratitude to the shareholders, business partners and customers for their unfaltering support. We would also like to thank our dedicated staff for their contributions to the Group.

By Order of the Board
Vedan International (Holdings) Limited
YANG, Kun-Hsiang
Executive Director and Chief Executive Officer

Hong Kong, 19 March 2024

As at the date of this announcement, the Board comprises of the following Directors:–

Executive Directors:–

Mr. YANG, Tou-Hsiung
Mr. YANG, Cheng
Mr. YANG, Kun-Hsiang
Mr. YANG, Chen-Wen
Mr. YANG, Kun-Chou

Non-executive Directors:–

Mr. HUANG, Ching-Jung
Mr. CHOU, Szu-Cheng

Independent non-executive Directors:–

Mr. CHAO, Pei-Hong
Mr. KO, Jim-Chen
Mr. CHEN, Joen-Ray
Mr. HUANG, Chung-Fong